



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

## June 2004 Summary

**U.S. Economy:** The pace of U.S. economic growth cooled somewhat in June. While the U.S. economy continued to grow in June, it did so at a slower rate. Both the manufacturing and non-manufacturing indices, while still signaling growth, declined in June. Wage and salary employment, while still rising, rose less than in recent months. The Conference Board's index of leading economic indicators declined slightly after not having fallen in over a year. Similarly, industrial production fell slightly in June after two strong monthly increases. Housing starts fell from around a 2.0 million rate to about 1.8 million. Overall retail sales declined by 1.1 percent; excluding motor vehicles, sales fell 0.2 percent.

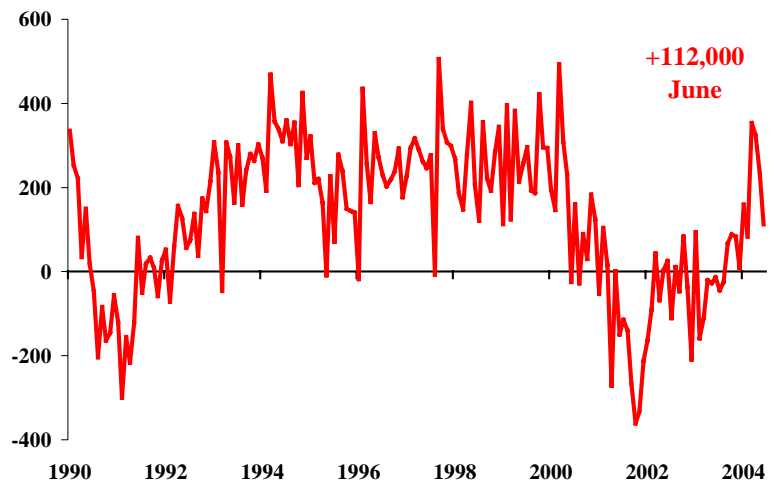
**Employment:** Michigan's June unemployment rate fell to 6.5 percent. Michigan payroll employment fell by 5,000 jobs, following three straight months of increases. The national unemployment rate remained unchanged at 5.6 percent. In the U.S., June payroll employment rose by 112,000 jobs.

**Auto Industry:** June light vehicle sales fell sharply to 15.4 million. Compared to a year ago, the three-month average of vehicle production was down 6.2 percent in Michigan and up 1.1 percent nationally. Light vehicle inventories were up 7.0 percent from a year ago.

**Inflation:** Compared to a year ago, overall U.S. consumer prices rose 3.3 percent. Excluding volatile food and energy prices, "core" consumer prices rose only 1.9 percent. The overall Detroit CPI rose 1.6 percent from a year ago while the core index increased 0.5 percent.

**Michigan Metro Areas:** Seasonally unadjusted June unemployment rates ranged between 4.0 percent (Ann Arbor MSA) and 8.5 percent (Flint MSA) for the twelve major labor market areas. County unemployment rates ranged between 1.9 percent (Mackinac) and 12.0 percent (Oscoda).

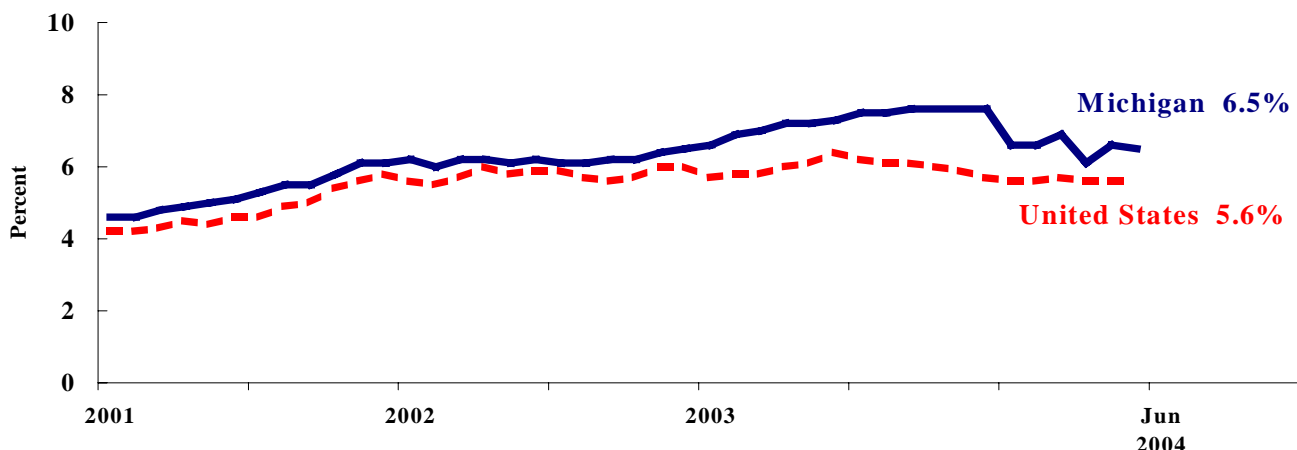
U.S. Employment Growth Slower in June <sup>(b)</sup>



## Labor Market Statistics

- Michigan's June monthly unemployment rate decreased 0.1 percentage points to 6.5 percent. June's unemployment rate was revised upward by 0.1 percent points to 6.6 percent. The current Michigan jobless rate is 0.8 percentage points below a year ago. The June U.S. unemployment rate remained unchanged from last month at 5.6 percent and was 0.7 percentage points lower compared to a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

### Michigan and U.S. Monthly Unemployment Rates 2001 to 2004



Source: Michigan Dept. of Career Development and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,716,000 in June, down 22,000 from last month, while the labor force decreased by 26,000. Therefore, the statewide total number of unemployed decreased by 4,000 to 328,000.
- United States household employment totaled 139.0 million persons in June, up 259,000 from May. The labor force increased by 305,000 from last month, which meant that there were 45,000 more unemployed people nationally, compared to May 2004.

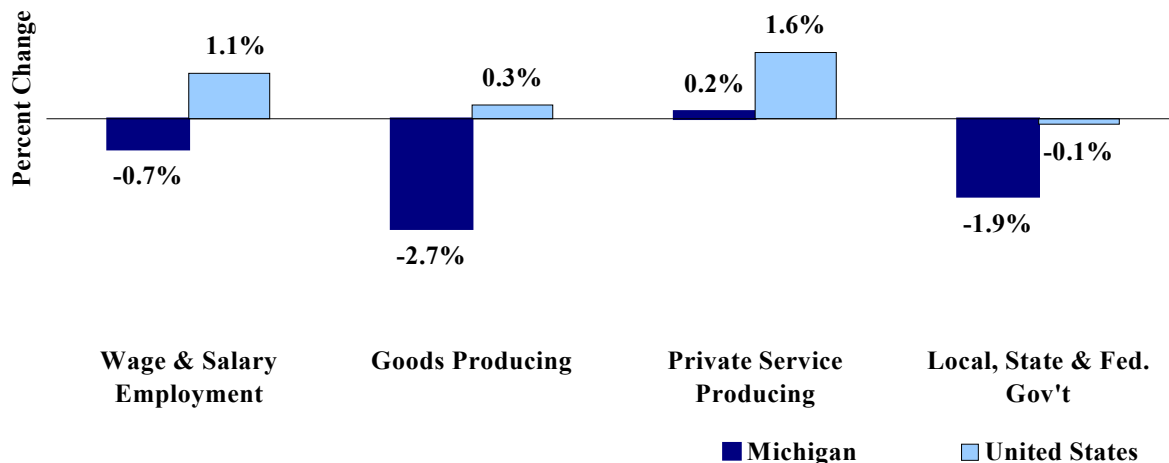
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

					Change From			
	2003	Apr	May	Jun	Prior Month		Last Year	
	<u>Average</u>	<u>2004</u>	<u>2004</u>	<u>2004</u>	<u>Level</u>	<u>%</u>	<u>Level</u>	<u>%</u>
Michigan								
Labor Force	5,042	5,032	5,070	5,044	-26	-0.5%	n.a.	n.a.
Employed	4,674	4,726	4,738	4,716	-22	-0.5%	n.a.	n.a.
Unemployed	368	306	332	328	-4	-1.2%	n.a.	n.a.
Unemployment Rate	7.3%	6.1%	6.6%	6.5%	n.a.	-0.1% pts	n.a.	-0.8%
United States								
Labor Force	146,510	146,741	146,974	147,279	305	0.2%	n.a.	n.a.
Employed	137,736	138,576	138,772	139,031	259	0.2%	n.a.	n.a.
Unemployed	8,774	8,164	8,203	8,248	45	0.5%	n.a.	n.a.
Unemployment Rate	6.0%	5.6%	5.6%	5.6%	n.a.	0.0% pts	n.a.	-0.7%

## Employment by Place of Work

- From June 2002 to June 2003, Michigan wage and salary employment declined 33,000 (0.7 percent). State wage and salary employment fell 5,000 from May. Nationally, June 2003 wage and salary employment rose 1,442,000 (1.1 percent) from a year ago, but was up 112,000 from last month.

### Wage and Salary Employment Growth June 2003 to June 2004



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector, Michigan June employment fell 2.7 percent from a year ago, while private service-producing sector employment increased 0.2 percent compared to last year. From a year ago, June national employment in the goods-producing sector rose 0.3 percent and increased 1.6 percent in the private service-producing sector.
- Manufacturing weekly hours rose in Michigan by 0.1 hours compared to last year.

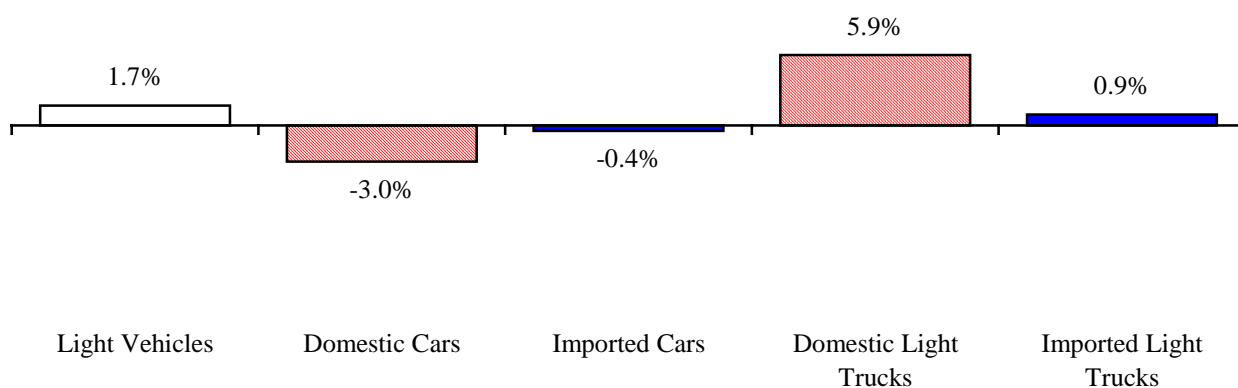
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2003 Average	Jun 2003	Jun 2004	Percent Change	2003 Average	Jun 2003	Jun 2004	Percent Change
Wage & Salary Employment	4,412	4,417	4,384	-0.7%	129,931	129,859	131,301	1.1%
Goods Producing	925	928	903	-2.7%	21,817	21,805	21,878	0.3%
Manufacturing	727	728	703	-3.4%	14,525	14,514	14,378	-0.9%
Private Service Producing	2,805	2,805	2,810	0.2%	86,538	86,487	87,884	1.6%
Trade, Trans. & Utilities	815	815	807	-1.0%	25,275	25,266	25,509	1.0%
Services	1,700	1,700	1,720	1.2%	50,092	50,039	51,159	2.2%
Local, State & Fed. Gov't	681	683	670	-1.9%	21,575	21,567	21,539	-0.1%
Manufacturing Weekly Hours	42.1	42.2	42.3	0.1 hrs	40.4	40.3	40.8	0.5 hrs

## Motor Vehicle Industry Sales

- Light vehicle sales fell sharply in May to a 15.4 million unit rate, down 13.4 percent from last month and 6.4 percent from a year ago.
- Compared to a year ago, domestic sales were down 8.4 percent while foreign sales increased 1.1 percent. Auto sales fell 6.6 percent while light truck sales declined 6.3 percent. Light vehicle inventories rose 7.0 percent while days supply rose by nine days to 72 days.
- Year-to-date 2004 light vehicle sales are up 1.7 percent compared to last year. Domestic light truck sales are up 5.9 percent for the year, while import light truck sales are up 0.9 percent year-to-date in 2004. Domestic car sales are down 3.0 percent year-to-date while import car sales are down 0.4 percent.

### 2004 Light Vehicle Sales Slightly Up Year-to-Date



## Motor Vehicle Sales Statistics

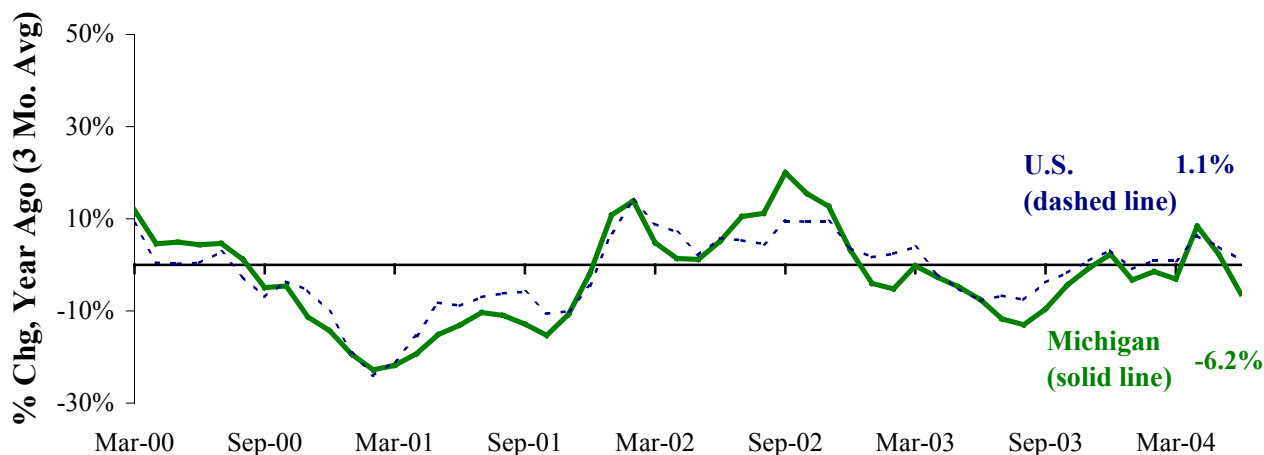
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2003	Apr	May	Jun	3 Month	Change from	
	Average	2004	2004	2004	Average	Level	%
Autos	7.6	7.4	8.0	7.1	7.5	(0.5)	-6.6%
Domestics	5.5	5.2	5.7	4.9	5.3	(0.6)	-10.6%
Imports	2.1	2.2	2.3	2.1	2.2	0.1	4.1%
Import Share	27.4%	29.8%	29.1%	30.2%	29.7%	3.1% pts	
Light Trucks	9.0	9.0	9.8	8.3	9.0	(0.6)	-6.3%
Domestics	7.8	7.8	8.5	7.1	7.8	(0.5)	-6.8%
Imports	1.2	1.2	1.3	1.2	1.2	(0.0)	-3.6%
Import Share	13.5%	12.8%	12.9%	14.7%	13.4%	0.4% pts	
Total Light Vehicles	16.6	16.4	17.8	15.4	16.5	(1.1)	-6.4%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	25.4%
Total Vehicles	17.0	16.8	18.2	15.8	16.9	(1.0)	-5.9%
U.S. Light Vehicle Inventories <sup>(d)</sup>		Apr-04	May-04	Jun-04	3 Month	Change	
Total Car	1.552	1.668	1.551	1.533	1.584	-0.077	
Days Supply	63	67	54	57	59	-3 days	
Total Truck	2.151	2.601	2.546	2.626	2.591	0.347	
Days Supply	74	87	75	85	82	12 days	

## Motor Vehicle Industry Production

- At 212,436 units, June Michigan light vehicle production decreased 14.8 percent from a year ago, compared with a 3.4 percent increase nationally. From a month ago, Michigan production fell 2.1 percent while national production rose 3.3 percent.
- Compared with a year ago, state car production fell 22.4 percent while state truck production declined 5.4 percent. Nationally, car production declined 3.8 percent while truck production rose 7.8 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 6.2 percent from a year ago, compared with a 1.1 percent increase nationally.

### Trend Light Vehicle Production Down in Michigan Up Slightly Nationally



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	Apr 2004	May 2004	Jun 2004	3 Month Average	Change from Year Ago	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	376.4	392.9	354.7	374.2	374.0	(14.8)	-3.8%
Trucks	634.6	693.9	666.9	681.3	680.7	49.1	7.8%
Total	1,011.0	1,086.8	1,021.7	1,055.5	1,054.7	34.2	3.4%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	127.2	126.6	107.0	107.4	113.7	(31.0)	-22.4%
Trucks	104.8	126.0	109.9	105.0	113.6	(5.9)	-5.4%
Total	232.0	252.6	216.9	212.4	227.3	(36.9)	-14.8%
Michigan as % of U.S.	22.9%	23.2%	21.2%	20.1%	21.6%	-4.3% pts	

## June 2004 Unemployment Rates Fell in Eleven Major Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, June 2004 unemployment rates fell in eleven major labor market areas and rose slightly in one area. Five major labor market areas reported declines of 1.0 percentage point or more. One reported a decline exceeding 2.0 percentage points. The median decline was 0.9 of a percentage point.

The Upper Peninsula reported the largest decline from a year ago (2.1 percentage points) followed by the Grand Rapids MSA and the Northeast Lower Michigan area (1.7 percentage points) and the Jackson MSA (1.5 points). The Flint MSA reported the next largest decline (1.4 percentage points). The unemployment rate rose 0.1 of a percentage point in the Lansing MSA compared to a year ago.

June 2004 unemployment rates ranged between 4.0 percent (Ann Arbor) and 8.5 percent (Flint). Compared to May's unemployment rates, all nine MSAs reported non-seasonally adjusted higher unemployment rates with increases ranging between 0.2 and 0.7 of a percentage point.

Compared to June 2003, unemployment rates fell in 73 counties, rose slightly in six counties and were unchanged in the other four counties.

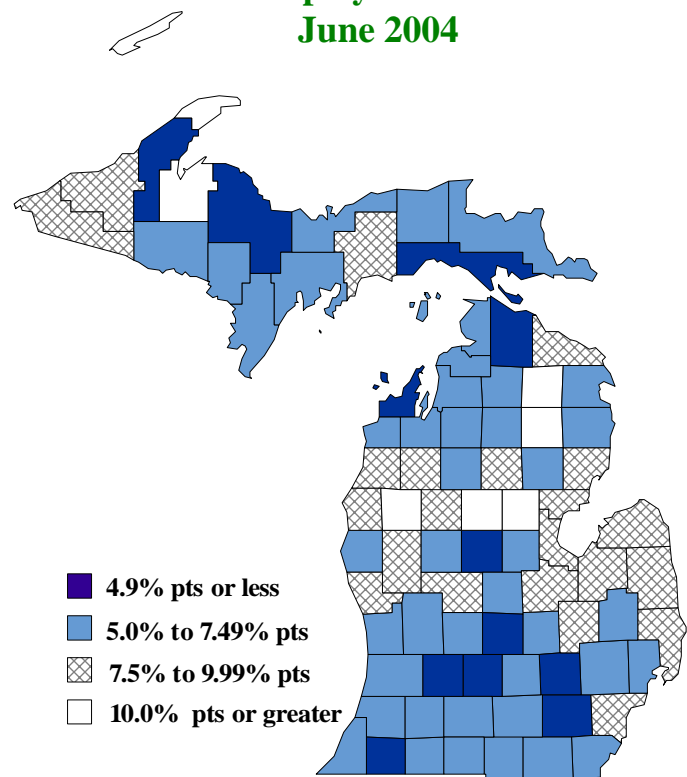
Among Michigan's 83 counties, 76 counties reported a June unemployment rate of 10.0 percent or lower. Thirteen counties recorded an unemployment rate of 5.0 percent or less.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Jun 2003 Rate</u>	<u>Jun 2004 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	7.6%	6.8%	6.4%
Ann Arbor MSA	4.2%	4.0%	3.6%
Benton Harbor MSA	7.6%	6.7%	6.3%
Detroit PMSA	7.8%	7.3%	6.7%
Flint MSA	9.9%	8.5%	8.2%
GR-Musk-Holl MSA	8.3%	6.6%	6.2%
Jackson MSA	8.2%	6.7%	6.4%
Kal-Battle Creek MSA	6.6%	6.1%	5.7%
Lansing MSA	4.9%	5.0%	4.5%
Sag-Bay-Midland MSA	8.6%	7.9%	7.5%
Upper Peninsula	7.9%	5.8%	6.4%
Northeast Lower Mich	8.9%	7.2%	7.9%
Northwest Lower Mich.	7.2%	6.3%	6.6%

Source: Michigan Department of Labor and Economic Growth. Due to methodological changes beginning in January 2004, household employment and unemployment level data are not comparable to earlier months.

### Unemployment Rates June 2004



## U.S. Economic Conditions

	<u>Mar-04</u>	<u>Apr-04</u>	<u>May-04</u>	<u>Jun-04</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	95.8	94.2	90.2	95.6	5.9 points
ISM Manufacturing Index <sup>(i)</sup>	62.5	62.4	62.8	61.1	10.7 points
ISM Non Manufacturing Index <sup>(i)</sup>	65.8	68.4	65.2	59.9	0.4 points
	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	
Business Executives' Confidence <sup>(j)</sup>	67.0	66.0	73.0	70.0	10.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Mar-04</u>	<u>Apr-04</u>	<u>May-04</u>	<u>Jun-04</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	187.4	188.0	189.1	189.7	3.3%
Detroit CPI	NA	184.7	NA	185.8	1.6%
U.S. Producer Price Index	146.2	147.3	149.1	148.7	4.0%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.94%	0.94%	1.04%	1.27%	0.32% points
Aaa Corporate Bonds <sup>(m)</sup>	5.33%	5.73%	6.04%	6.01%	1.04% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	114.7	115.5	116.5	116.2	5.6%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	76.6%	77.0%	77.6%	77.2%	3.2% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$333.8	\$331.1	\$335.7	\$331.9	6.3%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Feb-04</u>	<u>Mar-04</u>	<u>Apr-04</u>	<u>May-04</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.895	2.000	1.963	1.970	12.7%
Existing Home Sales <sup>(p)</sup>	6.130	6.480	6.630	6.800	15.8%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$186.4	\$197.4	\$192.1	\$188.6	12.2%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>% Change From Year Ago</u>
Michigan	\$305.5	\$308.0	\$313.2	\$316.1	4.4%
U.S.	\$9,140.7	\$9,254.3	\$9,380.5	\$9,510.1	5.2%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,288.3	\$10,493.1	\$10,600.1	\$10,702.1	3.9%

**SOURCES AND NOTES:**

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.